

**DEPARTMENT OF STATE REVENUE**  
28960248.LOF

**LETTER OF FINDINGS NUMBER: 28-960248**  
**Controlled Substance Excise Tax**  
**For The Period: 1992**

**NOTICE:** Under IC 4-22-7-7, this document is required to be published in the Indiana Register and is effective on its date of publication. It shall remain in effect until the date it is superseded or deleted by the publication of a new document in the Indiana Register. The publication of this document will provide the general public with information about the Department's official position concerning a specific issue.

**ISSUES**

**I. Controlled Substance Excise Tax - Liability**

**Authority:** IC 6-7-3-5; Bryant v. Indiana Department of State Revenue, 660 N.E.2d 290 (Ind. 1995); Cliff v. Indiana Department of State Revenue, 660 N.E.2d 310 (Ind. 1995); Hall v. Indiana Department of State Revenue, 660 N.E.2d 319 (Ind. 1995).

The taxpayer protests the assessment of controlled substance excise tax.

**STATEMENT OF FACTS**

Taxpayer was arrested for possession and cultivation of marijuana. On September 2, 1992, an Indiana Conservation Officer, along with a police officer, witnessed the taxpayer handling and cutting the plants. After the arrest, the marijuana was tested and weighed in the presence of an Indiana Department of Revenue Criminal Investigation Division agent. The weight was 90,720 grams. The Department issued a jeopardy assessment against the taxpayer on September 10, 1992. The taxpayer was later convicted and sentenced on November 18, 1992.

**I. Controlled Substance Excise Tax - Liability**

**DISCUSSION**

In Indiana, the manufacture, possession or delivery of marijuana is taxable. IC 6-7-3-5. There was no controlled substances excise tax ("CSET") paid on the taxpayer's marijuana, so the Department assessed the tax against him and demanded payment. Indiana law specifically provides that notice of a proposed assessment is *prima facie* evidence that the Department's claim for the unpaid tax is valid. The taxpayer then bears the burden of proving that the proposed assessment is wrong.

The taxpayer argues that he has paid his debt to society by serving a prison sentence and probation for the violation of the law. The *gravamen* of the taxpayer argues that since he has served his criminal sanctions, the CSET assessment violates the double jeopardy clause of the United States Constitution. U.S. Const. amend. V. (*See also* Ind. Const. art. I, Sec. 14). The double jeopardy clause protects, among other things, a person from being put in jeopardy more than once for the same offense. Our Supreme Court has held that the CSET assessment is considered jeopardy under Constitutional analysis, and that the jeopardy attaches when the assessment is served on the taxpayer. Bryant v. Indiana Department of State Revenue, 660 N.E.2d 290 (Ind. 1995); Cliff v. Indiana Department of State Revenue, 660 N.E.2d 310 (Ind. 1995). The Department's jeopardy attached on September 10, 1992, making it the first jeopardy and the criminal conviction the second jeopardy. It should be noted that the taxpayer concedes as much. Although the taxpayer argues that it is inequitable to assess CSET, it is nonetheless grounded in case law. In Hall v. Indiana Department of State Revenue, the Indiana Supreme Court ruled that CSET constituted the first jeopardy, the plea of guilty to the criminal charges the second. 660 N.E.2d 319 (Ind. 1995). In that case, police entered the home of the Keith Hall, finding over 300 lbs. of marijuana. Four days after the arrest, the Indiana Department of Revenue assessed Hall and his wife with a CSET assessment. After the assessment, Keith Hall pled guilty. The Indiana Supreme Court held that the CSET assessment was first in time, and that the conviction was the second jeopardy. Thus the criminal conviction, not the CSET assessment, violated the double jeopardy clause.

Given that the Department's jeopardy attached first, and the taxpayer has not overcome the *prima facie* burden of disproving possession, the protest is denied.

**FINDING**

The taxpayer's protest is denied.